



**STATE OF DELAWARE**  
**OFFICE OF STATE TREASURER**  
820 SILVER LAKE BOULEVARD, SUITE 100  
DOVER, DELAWARE 19904

**VELDA JONES-POTTER**  
STATE TREASURER

PHONE: (302) 672-6700  
FAX: (302) 739-5635

**DELAWARE DEFERRED COMPENSATION COUNCIL MEETING**  
**MINUTES**  
November 12, 2008

A meeting of the Delaware Deferred Compensation Council was held on Wednesday, November 12, 2008 at 10:30 AM in the Treasurer's Office Conference Room, located at 820 Silver Lake Blvd, Dover, Delaware.

**Attendees:**

**Council Member:** Jack Markell, State Treasurer and Co-Chairperson  
Richard Cordrey, Secretary of Finance and Co-Chairperson  
Mike Jackson, Acting Director of Office of Management and Budget  
Mitch Crane for Matt Denn, Insurance Commissioner  
Oliver Gumbs, Member at Large  
Thomas Hurley, Member at Large  
Larry Koenig, Member at Large

**Others Present:** Ann Visalli, Deputy State Treasurer  
Leighann Hinkle, Director of Defined Contribution Plans  
Joshua Hitchens, Financial Investment Program Specialist  
Elio Battista, Jr., Deputy Attorney General  
Sandy Condon, Investment Consultant, Fidelity Investments  
Thomas Crutchfield, Senior Relationship Manager, Fidelity Investments  
Joyce McCaffrey, Communications Consultant, Fidelity Investments  
Chris Ray, Client Services Manager, Fidelity Investments

Jack Markell called the meeting to order at 10:30 AM. After introductions were made, the minutes from the May 2, 2008 meeting were approved as presented.

Fidelity Senior Relationship Manager Thomas Crutchfield provided the Retirement Plan Review which highlighted Fidelity's accomplishments in 2008, including changes made to the Plan and communication campaign results. The Plan accomplishments included the reduction in

unidentified wires, which eliminates the potential for problems and the movement of the Legg Mason Value Trust Fund from the core, which was a result of our last meeting. The results of the 2008 campaign were good as Fidelity conducted 192 one-on-one meetings and overall asset allocation of participant accounts looks good as younger investors are more aggressive. Mr. Crutchfield commented that most participants have a broad level of diversification as about half of the participants invest in a Fidelity Freedom Fund. However, the average number of participant holdings is 1.92 which is below the industry average, excluding the Freedom Funds.

Deferred Compensation Council Meeting

November 12, 2008

Page Two

A challenge for 2008 is to target those participants who invest in four or fewer options, excluding the Fidelity Freedom Funds.

Mr. Crutchfield mentioned some options for future consideration which include implementing the auto deminimus process to reduce plan expenses, reducing investment offerings in the core line-up, use of automatic enrollment with automatic contribution escalation and adding a participant investment advisory service.

Mr. Crutchfield advised the Council of Franklin Templeton's settlement with the SEC and that the restitution amount will be deposited into the Plan's settlement account to be used for plan expenses. In addition, the Morgan Stanley High Yield and Morgan Stanley International Magnum Funds are liquidating and those monies will be mapped to the Fidelity Freedom Funds unless the affected participants direct Fidelity otherwise.

Ann Visalli advised the Council of the suspension of the Match Plan by the Legislature on June 30, 2008.

Fidelity Investment Consultant Sandy Condon provided the investment review as of September 30, 2008 which looks at the performance of the Plan's funds in the core line-up. Mr. Condon made note of the unprecedented volatile market conditions and the flight to quality, short term investments. The PIMCO Total Return Fund has performed well and side stepped most of the sub-prime crises as it reduced its exposure in 2006. Mr. Condon noted that over 25% of the plan's assets are invested in the Freedom Funds which is higher than most other Fidelity clients.

Mr. Condon commented that the Fidelity Capital Appreciation Fund is trending in the wrong direction as its one and three-year performance is in the fourth quartile. He suggested that the Council continue to monitor the performance of this fund to determine if future action is required. He also stated that the Alger Mid-Cap Growth Fund has underperformed its one and three-year benchmarks and suggested that the Council continue to monitor its performance to determine if future action is required.

Jack Markell stated that the Council should review the performance of these two funds after next quarter to determine what steps would need to be taken. Fidelity will compile the fund data for the first quarter of 2009 and report back to the Council in February.

Mr. Condon commented that the Freedom Funds has underperformed their benchmark and that Fidelity's response included changes in 2008 and future enhancements in 2009. The underperformance was attributed largely to the sub-prime market exposure of the bond funds.

Leighann Hinkle reported to the Council that the Plan had a successful 2007 plan audit.

The meeting was adjourned at 11:30 AM.